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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

Communist China - Japan: Peiping has moved to dispel any impression that it is willing to resume full-scale trade with Japan in the absence of a government-level trade agreement. In late August a Japanese visitor quoted Chou En-lai as saying that even in the absence of such a pact, trade could be resumed under contracts between industrial interests. The Japanese Government received this report with caution, but hopes were revived among Japanese businessmen that trade might be resumed. On 12 September, however, Peiping released the minutes of the late August conversation, and quoted Chou as having asserted that Japanese Prime Minister Ikeda, instead of meeting China's preconditions for government-to-government agreements, had made statements which were "not good," and that China must therefore "wait and see." Chou indicated that no significant trade with Japan is possible without a government-level trade pact. (b)(3)

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*Communist China - Guinea: Peiping signed aid, trade, and friendship agreements with Guinea during President Sekou Touré's visit in Communist China this week. The joint communiqué released on 13 September states China has extended an interest-free $25,000,000 credit to Guinea and signed a trade pact calling for almost $10,000,000 in annual exchanges. During Touré's visit to Moscow last week, the USSR agreed to increase its economic support to Guinea by participating in the construction of the Konkouré River aluminum-hydroelectric development project. (b)(3)

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II. ASIA-AFRICA

Indonesia: President Sukarno's "temporary suspension" on 13 September of all political activity in Indonesia frees him from the necessity of making a direct choice between the army and the Communists. It also frees the army from having to decide at this time on whether to oppose Sukarno further by extending its anti-Communist ban. Sukarno's action will permit him to proceed more easily with organization of his National Front, a mass organization in which he expects all parties and groups to cooperate. (b)(3)

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*Congo: Independent African states are wavering in their support for Hammarskjold's Congo policy. Many of the current proposals being informally considered by UN members, including Ghana's suggestion of a good offices commission of Afro-Asian members of the UN Command to mediate differences between Kasavubu and Lumumba, would have the effect of helping Lumumba. Khrushchev, in his strongest attack on Hammarskjold's handling of the Congo crisis, charged on 13 September that the UN secretary general is "consciously working in the interests of the imperialists."

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In Leopoldville, Kasavubu moved to gain the upper hand by surrounding the radio station--released from UN control on

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13 September along with airfields--with loyal troops, while his minister of information broadcast an appeal for popular support and announced that Lumumba was being sought for arrest. Relaxation of the UN ban on air activity will probably enable Lumumba to utilize Soviet transport aircraft to reinforce his troops in the Kasai region.
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Peiping Indicates Extensive Trade With Japan Not Imminent

Communist China has moved to dispel any impression in Japan that Chou En-lai's recent remarks to a Japanese visitor foreshadowed an imminent resumption of full-scale trade. According to the visitor, Chou told him on 27 August that even in the absence of a government-level agreement, trade could be resumed on a fairly extensive scale through contracts between industrial interests.

On 12 September, Peiping released its version of the conversation. According to this, Chou said the embargo imposed in 1958 would be relaxed to permit private trade contracts. He implied, however, that extensive trade was impossible in the absence of a government-to-government agreement, which Tokyo has resisted. Chou further emphasized that China stands firm on its preconditions for such an agreement--that Japan end its hostile attitude, stop supporting the "two Chinas" concept, and refrain from impeding normalization of relations. He added that, instead of meeting China's conditions, Prime Minister Ikeda had made statements which were "not good," and China must therefore pursue its "wait and see" attitude.

Hoping that a taste of direct trade will increase pressure in Japan for meeting Chinese terms, an official Chinese Communist trading concern recently placed three orders for heavy machinery from Japan. Perhaps to make clear that there is no alternative to direct trade, Chinese Communist authorities in Hong Kong have reportedly tightened up the poorly enforced prohibition against indirect trade through that colony and have again urged Hong Kong merchants to boycott Japanese goods.

The Ikeda government has adopted a cautious attitude and has indicated that in no case would measures to improve relations with Communist China be taken until after the Japanese elections expected in November. Although Japanese businessmen's hopes for resumption of trade with Communist China have been stimulated by Peiping's recent statements and action, widespread awareness in Japan that Peiping has manipulated the trade issue for political purposes has created considerable suspicion, especially among some large Japanese firms.

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Communist China Strengthens Its Ties With Guinea

Peiping has announced that it will provide Guinea with economic aid amounting to $25,000,000 during the next three years, under an agreement concluded during Sekou Touré's visit to Communist China. A trade agreement calling for an annual exchange of almost $10,000,000 in goods also was negotiated during the Guinean president's stay in Peiping. The joint communique on Touré's visit, released on 13 September, reveals that in addition to the economic agreements a Chinese-Guinean friendship treaty was signed by Chou En-Lai and Touré.

Although the $25,000,000 interest-free credit represents the first formal "economic and technical cooperation" agreement between Peiping and Conakry, 60 Chinese "agriculturalists" have been working on rice cultivation projects in Guinea since the spring of this year. The new agreement presumably allows for additional Chinese technicians to enter Guinea to assist in the projects to be implemented under the credit.

Chinese trade with Guinea thus far has been slight. However, if the goals set by the commercial agreement are reached, Peiping may account for about ten percent of Guinea's annual foreign trade.

Prior to visiting China, Touré spent a few days in Moscow where he was assured of receiving additional Soviet economic aid. The Soviet Union agreed to extend its $35,000,000 long-term credit to include assistance for Guinea's Konkoure River hydroelectric dam and aluminum development scheme. Moscow also announced that it plans to extend the Conakry-Mamou railroad Soviet engineers are to build to Kankan in eastern Guinea.

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President Sukarno Bans Activities of All Political Parties

President Sukarno issued a temporary ban on the activities of all political parties on 13 September, apparently after having gone through the motions of submitting it for discussion at an emergency meeting of regional and national officials. He apparently plans to decide by 30 November which parties may operate legally.

The ban reportedly was drafted by the army at Sukarno's request as a compromise solution to the problem posed by the army's proscription of Communist activity in three military commands last month. The army's move in August was a direct challenge to Sukarno, who has conciliated the Communists and who, on 17 August, had dissolved the anti-Communist Masjumi and Socialist parties. The new all-party ban frees Sukarno from the necessity of making a direct choice between the army and the Communists and obviates an army decision on whether to oppose Sukarno further by extending its anti-Communist ban.

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The ban will permit Sukarno to proceed more easily with his National Front, a mass organization in which he expects all parties and groups to cooperate. He installed the 63-member central board of the National Front on 8 September; at least 18 members--28 percent of the membership--are susceptible to Communist direction. Should the front become a viable organization, it could be a considerable asset to the Communists by providing them a government organization within which to work.

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The Congo Situation

Wobbling support by independent African states, at least in part a result of Soviet pressure, is frustrating Secretary General Hammarskjold's efforts to gain the backing of the UN Security Council for strengthening his hand in dealing with the Congo situation.

At the 12 September Security Council session, all proposals which were under informal consideration seemed to be disadvantageous to Kasavubu, and the session was postponed when it appeared that any early action by the council would almost certainly help Lumumba. Tunisia was already feeling Soviet pressure, exerted through such Afro-Asian states as Guinea, Indonesia, the UAR, Morocco, and Ghana.

While the British Government has so far been reluctant to commit itself to supporting either Lumumba or Kasavubu until the situation is clarified, its UN delegation takes the position that Lumumba is more likely to win out. The delegation is therefore encouraging Ghana's plan to propose that a good offices committee composed of the Afro-Asian members of the UN Command in the Congo (UNOC) be established by the Security Council to resolve the crisis through mediation.

Khrushchev, in the strongest Soviet attack on Hammarskjold to date, charged on 13 September that the UN secretary general is "consciously working in the interests of the imperialists" in the Congo and that his actions "dovetail with the policies of the countries which have always espoused the positions of colonialism." Answering questions aboard the Baltika, the Soviet premier denounced Hammarskjold's insistence that all aid to the Congo Government be channeled through the UN as a further effort to uphold colonialist interests, and indicated that he may press the Congo issue at the forthcoming UN General Assembly meeting.

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In Leopoldville, President Kasavubu quickly sent loyal troops to surround the radio station after the UN on 13 September lifted its ban on air traffic and radiobroadcasting. In an effort to gain the upper hand in the fight against Premier Lumumba, Kasavubu's minister of information, Jean Bolikango, broadcast a promise to make an all-out effort to relieve hunger and unemployment and

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announced that Kasavubu had signed a new arrest warrant for Premier Lumumba and six of his cabinet ministers.

President Nkrumah of Ghana warned Hammarskjold on 13 September that if Lumumba were not allowed to use Radio Leopoldville, Ghana would withdraw its 2,300 troops from the UN Command and reserve the right to place them entirely at the disposal of the "legitimate Lumumba government."

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During this struggle for power between Kasavubu and Lumumba, Joseph Ileo, the premier-designate of Kasavubu, remains in Brazzaville where he is under the protection of President Youlou--tribally related to Kasavubu--of the Congo Republic (the former French Congo). Youlou has given all possible support to Kasavubu, and now plans to provide him with small arms and financial assistance to organize demonstrations.

Although the UN will retain control of main airport installations and approaches, relaxation of the UN ban on non-UN air flights will probably permit Lumumba to utilize Soviet transport aircraft to airlift reinforcements and additional supplies to the Kasai. During the UN ban, these planes have been grounded.

The Congolese parliament on 13 September reaffirmed its support of Lumumba and granted him virtually unlimited powers. Most opposition members were absent, however, and it is questionable whether the assembly mustered a quorum. Nevertheless, the vote reflects the Kasavubu group's continuing inability to bring the opposition to Lumumba into the open.

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